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California Energy Commission
Docket Office
1516 Ninth Street
Sacramento, CA 95814

Dear Commission:

Docket Nos. 04-DIST-GEN-1 and 03-IEP-1

The City of San Diego ("City") appreciates this opportunity to provide comments to the IEPR Committee on the report, *Recommended Changes to Interconnection Rules* (hereafter, the Report).

The City was an active participant in the Rule 21 Working Group and provided comments in that forum that were considered in the development of the Working Group's report, *Rule 21 Working Group Recommended Changes to Interconnection Rules*. Additionally, the City presented comments at the December 10, 2004, Hearing on the Rule 21 Working Group Report.

Net Generator Output Metering Requirements

The City commends the IEPR Committee for recognizing that Net Generation Output Metering (NGOM) is not required for distributed generation except in a limited number of cases. The City and other non-utility parties to the Rule 21 Working Group oppose a blanket requirement for NGOM. As noted in the Report, "existing utility tariffs have provisions for measuring and estimated" customer's consumption. (Report, p.10) In addition, the Federal Energy Regulatory Commission (FERC) has stated clearly that a single meter at the point-of-common coupling is adequate for Qualifying Facilities (QFs) and that the CAISO is explicitly forbidden to use NGOM for QFs. The IEPR Committee's recommendation validates the City's position that NGOM is not necessary under most circumstances.

Equally important, the IEPR Committee found that "non-utility grade meters are acceptable" in situations where NGOM is required. The City opposes the utilities' attempts to require revenue-quality meters when in most cases revenue-quality meters are not necessary. The IOUs' attempts to justify the need for revenue-quality meters simply do not hold water.

The IOUs state that revenue-quality meters are needed to determine if generators meet annual efficiency targets and annual waste heat utilization targets. The IOUs also argue that revenue-quality meters will provide the necessary data to calculate annual heat rates to determine if the generator qualifies for special gas rates. However, these calculations are not used for determining payments to generators but are instead performed to determine eligibility for participation in specific utility programs. The (lesser) degree of accuracy needed to determine program eligibility does not justify the cost of a revenue-quality meter.

The City applauds the IEPR Committee's conclusion that the utilities can use estimated billing data as a less intrusive and more cost-effective option to NGOM. On this particular issue, the Committee concluded that "the customers' right to information protection outweighs" the utility's concern over less-than-accurate billing data when estimated data is used. (Report, p.17) Moreover, requiring redundant meters or more expensive revenue-quality meters burdens DG developers with unnecessary costs that could render otherwise economic DG projects uneconomic. This outcome is contrary both to California's stated resource loading order preferences and need for new generation capacity.

The City also endorses the IEPR Committee's recommendation to adhere to Rule 22 metering provisions in cases where NGOM is required. "Rule 22's [metering provisions]...could provide a model for establishing metering standards for third-party meters." (Report, p.14) The IEPR Committee found that non-utility grade meters are acceptable in these situations "provided that the meters adhere to the direct access metering provisions outlined in Rule 22." (Report, p.17)

The issue of cost responsibility and meter ownership becomes moot with the conclusion that blanket requirements for NGOM on DG facilities are unwarranted. The IEPR Committee points out that costs of NGOM for facilities participating in the Self-Generation Incentive Program are covered in the SGIP's program budget. (Report, p.8) For solar NEM installations, the utility bears the responsibility for the costs of dual meters. (Report, p.9)

Interconnection Issues for Combined Technologies

The City commends the IEPR Committee for its recommendation that there be no restrictions on the export of power from an NEM generator while a non-NEM generator is operating. The IEPR Committee recognized that there are no technical constraints which would prevent the export of power from a combined technology facility (see p.39). Thus, the issue becomes one of tariff administration. "Existing interconnection agreements and related tariffs do not address facilities where multiple tariffs apply." (Report, p.40) The IEPR Committee found that preventing power exports from an NEM generator while a non-NEM generator is operating results in reduced economic benefits, reduced operating efficiencies, and less new generation.

The IEPR Committee also recommends that utilities, and not DG developers, be responsible for application fees and the costs of grid infrastructure improvements. The utilities should be allowed to recover these costs through distribution rates. All customers of the local utility benefit from the installation of combined technology DG systems. These benefits are provided by DG systems that are eligible for NEM. Non-NEM eligible DG projects provide different types of benefits to customers. These benefits were weighed and balanced when the legislature established the NEM and DG incentive programs. Combined technology DG plants provide similar benefits and in fact may allow for development of renewable DG in areas in which renewable generation might not be cost-effective. For these reasons, the City believes that the costs of interconnection studies and infrastructure improvements should be borne by all customers.

Conclusions

The City looks forward to following up with the Energy Commission regarding these comments and the Report. The City appreciates the efforts of all those involved in the Rule 21 Working Group and the preparation of the Report.

Sincerely yours,

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By

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